

PROJECT HEALTHY CHILDREN, INC.

FINANCIAL STATEMENTS

September 30, 2012 and 2011

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 9



R.J. GOLD & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Project Healthy Children, Inc.
Cambridge, Massachusetts

We have audited the accompanying statements of financial position of Project Healthy Children, Inc. (a not-for-profit organization) as of September 30, 2012 and 2011, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Healthy Children, Inc. as of September 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

R J Gold & Company, P.C.

Burlington, Massachusetts
January 3, 2013

PROJECT HEALTHY CHILDREN, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash	\$ 79,659	\$ 249,327
Contributions receivable	115,000	-
Grant receivable	-	25,000
Pledge receivable	-	25,000
Loan receivable - employee	1,750	4,750
Other receivables	51	1,578
Employees cash advance	49,295	29,990
Prepaid expenses	17,539	24,861
TOTAL CURRENT ASSETS	<u>263,294</u>	<u>360,506</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation	<u>2,346</u>	<u>11,760</u>
OTHER ASSETS		
Security deposits	<u>9,962</u>	<u>5,408</u>
TOTAL ASSETS	<u>\$ 275,602</u>	<u>\$ 377,674</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 16,259</u>	<u>\$ 13,977</u>
NET ASSETS		
Unrestricted	259,343	319,061
Temporarily restricted	-	44,636
TOTAL NET ASSETS	<u>259,343</u>	<u>363,697</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 275,602</u>	<u>\$ 377,674</u>

The Accompanying Notes are an Integral Part of These Financial Statements

PROJECT HEALTHY CHILDREN, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended September 30, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PROGRAM AND OTHER REVENUE:						
Contributions	\$ 452,705	\$ -	\$ 452,705	\$ 639,865	\$ 7,942	\$ 647,807
Other revenue	19,000	-	19,000	8,000	-	8,000
Net assets released from temporary restrictions	44,636	(44,636)	-	72,127	(72,127)	-
TOTAL PROGRAM AND OTHER REVENUE	516,341	(44,636)	471,705	719,992	(64,185)	655,807
EXPENSES:						
Program services						
Payroll	123,619	-	123,619	138,253	-	138,253
Travel	58,022	-	58,022	56,805	-	56,805
Consultant fees	400	-	400	28,602	-	28,602
Overseas payroll and payroll taxes	48,076	-	48,076	37,460	-	37,460
Employee benefits	17,102	-	17,102	20,264	-	20,264
Payroll taxes	17,093	-	17,093	14,145	-	14,145
Supplies	468	-	468	2,461	-	2,461
Communications	5,983	-	5,983	6,586	-	6,586
Rent	10,800	-	10,800	8,100	-	8,100
Office supplies	1,708	-	1,708	2,480	-	2,480
Materials - fortification devices	34,386	-	34,386	41,210	-	41,210
Other	16,815	-	16,815	4,532	-	4,532
Utilities	-	-	-	2,577	-	2,577
Total program services	334,472	-	334,472	363,475	-	363,475
General and administrative						
Payroll	88,558	-	88,558	61,815	-	61,815
Consultant and professional fees	12,903	-	12,903	11,760	-	11,760
Rent	34,346	-	34,346	32,500	-	32,500
Communication	3,804	-	3,804	4,101	-	4,101
Travel	43,525	-	43,525	1,374	-	1,374
Employee benefits	19,389	-	19,389	15,225	-	15,225
Payroll taxes	8,695	-	8,695	9,812	-	9,812
Depreciation	9,414	-	9,414	4,558	-	4,558
Insurance	4,735	-	4,735	4,849	-	4,849
Office supplies	5,916	-	5,916	4,061	-	4,061
Other	6,174	-	6,174	7,479	-	7,479
Utilities	2,205	-	2,205	2,835	-	2,835
Supplies	1,923	-	1,923	5,799	-	5,799
Total general and administrative	241,587	-	241,587	166,168	-	166,168
TOTAL EXPENSES	576,059	-	576,059	529,643	-	529,643
CHANGES IN NET ASSETS	(59,718)	(44,636)	(104,354)	190,349	(64,185)	126,164
NET ASSETS, BEGINNING OF YEAR	319,061	44,636	363,697	128,712	108,821	237,533
NET ASSETS, END OF YEAR	\$ 259,343	\$ -	\$ 259,343	\$ 319,061	\$ 44,636	\$ 363,697

The Accompanying Notes are an Integral Part of These Financial Statements

PROJECT HEALTHY CHILDREN, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (104,354)	126,164
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	9,414	4,558
(Increase) decrease in assets:		
Contributions, grant and pledge receivables	(65,000)	75,000
Other receivables	1,527	(1,578)
Employees cash advance	(19,305)	(29,990)
Prepaid expenses	7,322	(19,822)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,282	(22,837)
	<u>(168,114)</u>	<u>131,495</u>
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Security deposits	<u>(4,554)</u>	<u>(2,700)</u>
CASH USED BY INVESTING ACTIVITIES	<u>(4,554)</u>	<u>(2,700)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans to employees	-	(5,000)
Repayment of loans to employees	<u>3,000</u>	<u>4,565</u>
CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>3,000</u>	<u>(435)</u>
NET INCREASE (DECREASE) IN CASH	(169,668)	128,360
CASH AT BEGINNING OF YEAR	<u>249,327</u>	<u>120,967</u>
CASH AT END OF YEAR	<u>\$ 79,659</u>	<u>\$ 249,327</u>

The Accompanying Notes are an Integral Part of These Financial Statements

PROJECT HEALTHY CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012 and 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Organization and Purpose

Project Healthy Children, Inc. (the "Organization") is a not-for-profit organization which was organized April, 2004 and provides financial support and education on the benefits of food fortification and supplementation. The Organization works with governments and private industry to establish fortification and supplementation programs that improve the health of women and children around the world. The Organization currently conducts its work in Liberia, Nepal, Malawi and Rwanda.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes.

The Organization has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740-10 in applying Accounting for Uncertainty in Income Taxes. The Organization recognizes the effect of uncertain tax positions, if any, in the financial statements on a more likely than not basis, such that current or deferred tax assets and liabilities are immediately recognized when the related uncertain tax position is taken or is expected to be taken. Any changes in uncertain tax positions are recorded in the period the ultimate outcome becomes known. The Organization's tax returns are subject to examination by taxing authorities for the years ended September 30, 2009, 2010, and 2011.

Basis of Presentation

The Organization has adopted ASC 958-205 for Financial Statements of Not-For-Profit Organizations issued by FASB for presentation of its financial statements. As such, the financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets.

PROJECT HEALTHY CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2012 and 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Organization considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from temporary restrictions.

Contributions

The Organization has adopted ASC 958-605 required for Accounting for Contributions Received and Contributions Made. In accordance with professional standards, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and or nature of any donor restrictions.

Contributions in the form of property are recorded at fair market value on the date the property is received. There were no donated assets as of September 30, 2012 and 2011. Donated services, if any, are computed as the value that contributed services requiring specialized skills represent to the comparable compensation that would be paid if the Organization were charged for these services. There were no donated services as of September 30, 2012 and 2011.

PROJECT HEALTHY CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2012 and 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledge Receivable and Grant Receivable

Pledge and grant receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual pledges and grants. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledge or grant receivable. Changes in the valuation allowance have not been material to the financial statements.

Pledge and grant receivables are unconditional promises to give that are recognized as revenues in the period received and as assets. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Pledge and grant receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on these amounts is computed using an appropriate discount rate commensurate with the risks involved. Amortization of the discount is included in contribution revenue.

Property and Equipment

All acquisitions of property and equipment in excess of \$3,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets.

Property and equipment of the Organization is evaluated for possible impairment in accordance with ASC 360-10 and 360-20, Accounting for the Impairment or Disposal of Long Lived Assets, and is required whenever events or circumstances indicate that the assets' undiscounted expected future cash flows are not sufficient to recover their carrying amounts. If the carrying amount exceeds the expected future cash flows, the Organization measures the amount of impairment by comparing the asset to its fair value.

Commitments and Contingencies

Grants, bequests and endowments often require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, the Board of Directors deems the contingency unlikely, since by accepting the gifts and their terms, it has made a commitment to fulfill the provisions of the gift.

PROJECT HEALTHY CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2012 and 2011

NOTE B – LOAN RECEIVABLE – EMPLOYEE

During the year ended September 30, 2011, an employee of the Organization received a loan of \$5,000 from the Organization. The loan is due on demand and carries no interest rate. The balance of the loan receivable is \$1,750 and \$4,750 at September 30, 2012 and 2011, respectively.

NOTE C – EMPLOYEES CASH ADVANCE

Employees who work in or travel to the rural countries of Liberia, Malawi and Rwanda are given cash advances because often there are no credit card transactions available in those locations. Once the money is spent, the employees submit receipts to the United States office and the corresponding expenses are recorded on the books.

NOTE D – PROPERTY AND EQUIPMENT

Property and Equipment consists of the following:

Office equipment	\$	16,836
Furniture and fixtures		<u>6,567</u>
		23,403
Accumulated depreciation		<u>(21,057)</u>
Total property and equipment, net	\$	<u>2,346</u>

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

A summary of the Organization's temporarily restricted net assets is as follows:

	October 1, 2011	Additions	Satisfactions	September 30, 2012
Liberia project	\$ 7,942	-	(7,942)	\$ -
Rwanda project	36,694	-	(36,694)	-
Total	<u>\$ 44,636</u>	<u>\$ -</u>	<u>\$ (44,636)</u>	<u>\$ -</u>

PROJECT HEALTHY CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2012 and 2011

NOTE F – OPERATING LEASES

The Organization leases office space in Cambridge, Massachusetts. The current lease expires August 15, 2015. Rent expense was \$34,346 and \$32,500 for the years ended September 30, 2012 and 2011, respectively. The lessor is holding a security deposit of \$4,554. Monthly rent expense is \$2,277.

The Organization also leases office space in Rwanda. The current lease expires in February 2014. Rent expense for this lease was \$10,800 and \$8,100 for the years ended September 30, 2012 and 2011, respectively. Rent is currently \$600 per month and there is a three month security deposit held by the lessor for \$2,700.

Future minimum rent payments for these leases are as follows:

Year Ending September 30,	<u>Amount</u>
2013	\$ 35,424
2014	30,324
2015	<u>25,047</u>
Total	<u>\$ 90,795</u>

NOTE G – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at one financial institution located in Massachusetts. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. Bank deposit amounts may, at times, exceed federally insured limits. Management does not believe that it is exposed to significant risk with respect to cash.

NOTE H – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated events occurring after the balance sheet date of September 30, 2012 through January 3, 2013, which is the date that the financial statements were available to be issued.